

FINANCIAL PERFORMANCE MEASURES

Overtime Management

The National Park Service monitors overtime costs to determine whether administratively controllable costs are reasonable. The total cost of administrative overtime totaled \$29,354,663 in FY 1999. Of the cost, administrative overtime for uncontrollable and controllable overtime totaled \$6,762,767 and \$22,591,896 respectively. Uncontrollable overtime (e.g. fire suppression) accounted for 23 percent of total costs in FY 1999.

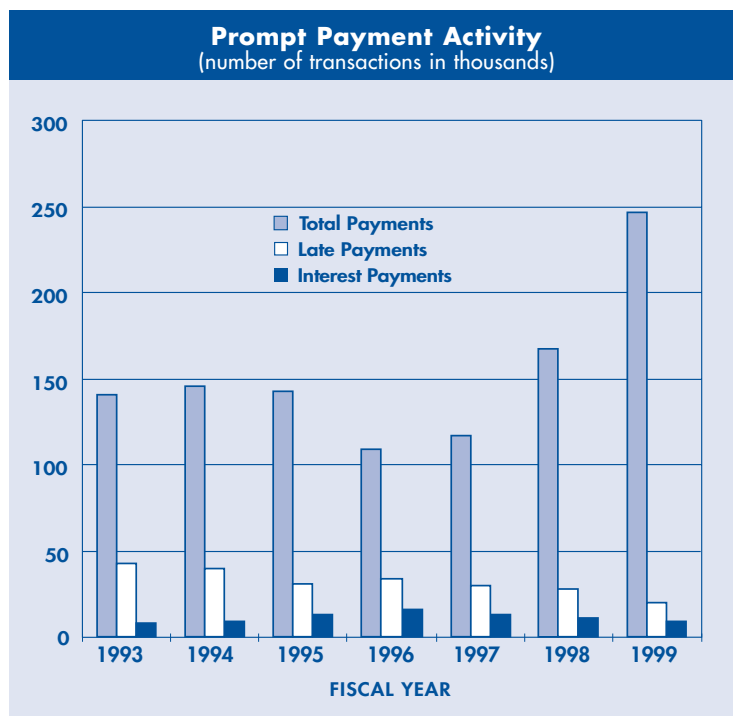
Prompt Payment Activities

During FY 1999, the National Park Service continued to make significant progress towards reducing interest penalty frequency. While the Service did not meet the performance goal of a 10 percent reduction in interest penalties paid, it did manage to substantially exceed the goal of a 10 percent reduction in the number of late payments made. When compared to the same period last year, the number of late payments made decreased by nearly 23 percent. Much of the credit for this accomplishment can be attributed to increased Bank of America/Master Card Program credit card purchases, Third Party Drafts, the Debt Collection Improvement Act (DCIA) of 1996 which requires most federal payments to be made electronically and the following identified and implemented efficiencies:

- The NPS quality control program identified several

new opportunities to more accurately and effectively input payment information into the disbursing system. Since implementation, interest penalty frequency continues to substantially reduce. It is anticipated that these new procedures will continue to reduce the penalty interest frequency into the foreseeable future.

- During FY 1999, a park-specific penalty interest report was utilized to assist management in identifying problem areas. The end result has been a reduction in the typical lag time experienced receiving pertinent payment information from the parks, resulting in more timely disbursements.
- During FY 1999, park/office procurement offices continued to employ procedures designed to encourage commercial vendors to use the Automated Clearing House for payments under \$100,000 and



FED wire for payments of \$100,000 or more. Continued and expanded use of these procedures has promoted a faster turn around time on invoice processing; thereby reducing or eliminating potential penalty interest. After January 1, 1999, the Debt Collection Improvement Act (DCIA) of 1996 required most federal payments to be made electronically.

Although the goal of reducing the number of late payments was greatly exceeded, the late payment interest actually increased by nearly 4.50 percent (\$251,954 FY 1999 versus \$243,863 FY 1998) and invoices paid late increased by over \$18 million (20 percent). Achievement of these goals was most likely impeded due to procedural changes and employee turnover at the park/office level.

During FY 2000 NPS envisions decreasing the amount of interest penalties paid and number of late payments by 10 percent respectively.

Third Party Draft Program

The Third Party Draft Program was implemented by the National Park Service in FY 1990, and usage has seen steady growth through FY 1998. As predicted in the NPS FY 1998 Accountability Report, third party draft usage increased during FY 1999. This increase of \$177,553 was attributable to the increase in the allowable amount for travel reimbursements to \$2,500 and the reduction of imprest funds as mandated by the Department of Treasury by the end of FY 1999. The NPS does not anticipate any significant increase for FY 2000.

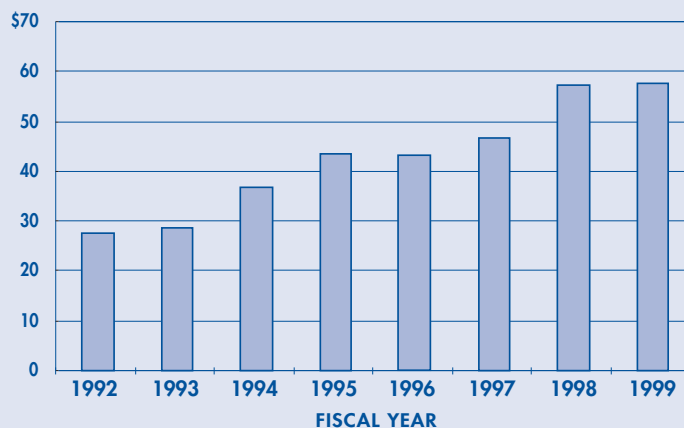
Imprest Funds

The Debt Collection Improvement Act of 1996, in part, mandates Electronic Funds Transfer for all payments made after January 1, 1999, including payments previously made from imprest funds. Imprest fund closure is a government-wide cash management goal, which will create substantial benefits including savings from having to maintain the funds, and the float lost on funds held outside the Treasury. In anticipation of the Treasury requirement, the Service began reducing imprest funds in FY 1997 and continued the effort through FY 1999. As a result, the fund balance for Class A and Class B funds were reduced by \$179,585.61, approximately 44 percent. The total reported for imprest funds include \$212,470 in change-making funds and \$75,150 for law enforcement purposes. The NPS has reduced virtually all Class A and B cashiers to \$100.00 or less. The NPS anticipates minimal change in FY 2000.

Travel Advance Management

At the end of FY 1999, the NPS had a total of \$233,418 in outstanding advances, a decrease of \$67,810 compared to the FY 1998 balance. The travel advance balance represents approximately a 22 percent reduction from the

Third Party Draft Payments
(in millions)



FY 1998 balance, and as a result, NPS met the performance measure goal stated for FY 1999. The NPS continues to make improvements in the procedures for collecting advances, as well as mandating the use of Automatic Teller Machine (ATM) cards for travel advances. Permanent change of station advances represent 90 percent of the outstanding balances. The FY 2000 goal of the NPS is to reduce the advance balance by an additional 5 percent.

Debt Collection Activities

Increasing the efficiency of NPS's debt management function continued to be a primary goal during FY 1999. A plan for increasing the collection rate on delinquent debt included initiatives to improve our debt notification process, out-sourcing the collection of employee debt, expanding current collection mechanisms, improving communication with Field Offices, and fully utilizing all available technology. During FY 1999, NPS experienced a 34 percent decrease in public debt over 180 days old and an 85 percent decrease in federal debt over 180 days old. The decline in public debt was primarily attributable to more intense internal collection efforts and collection efforts of the Treasury Debt Management Service Programs. The significantly improved collection rate in the Federal category is indicative of a change in billing methods used for Defense Agencies. During FY 1999, we developed a procedure for obtaining authorizing agreements allowing NPS to use the On-Line Payment and Collection System (OPAC) as the collection mechanism for Defense agency debt.

The Debt Collection Improvement Act of 1996 (DCIA) provides legislative guidance for collecting federal debt. Specific notifications and required timeframes are stipulated in the law and debt notification correspondence must adhere to these requirements. The DCIA also states that debt subject to Internal Offset is exempt from mandatory submission to Treasury for collection. In accordance with this provision, NPS debt notifications were developed to address collection processes for non-employees and employees separately.

When employees leave NPS, they are re-categorized to non-employee status and prior debt notifications are no longer sufficient. A high percentage of NPS total public debt is attributable to moneys owed by former employees. The additional notification requirement lengthens the timeframe for submitting debt of former employees to Treasury for collection action. In order to alleviate this time lag, we revised the billing process to ensure that all notification requirements were satisfied in the first dunning notice, which is scheduled to be forwarded, as soon as a bill becomes delinquent. This revised process ensures that all bills issued by the Field Offices contain the required notifications should they become delinquent. Implementation of the Treasury collection programs remain in a developmental stage and procedural changes must be implemented as the process evolves. Developing a forum to enhance communication with Field Offices will be very beneficial to the debt management process.

The NPS payroll function was converted from the PAY/PERS System to the Federal Personnel and Payroll System (FPPS) in FY 1999. A departmental initiative, by the Finance Officers Partnership created a Project Action Team (PAT) to consolidate employee debt. The PAT initiative was designed to increase the efficiency of collecting Department of Interior (DOI) employee debt by delegating the responsibility of collecting all payroll related debt for active duty employees to the Payroll Operations Division, National Business Center, Denver, CO. Implementation of PAT initiative has resulted in improving the timeliness of collecting employee debt. Because the collectability of debt generally decreases with time, the initial results indicate there will be resulting improvements in the delinquency rate and overall collection rate of employee debt.

NPS collection mechanisms were reviewed this year, with an emphasis on improving collection efficiency. In support of this effort, the Grand Canyon National Park served as a pilot site for exploring the feasibility of including Pre Authorized Debit (PAD) as another acceptable collection and deposit mechanism. PAD

allows NPS to deduct funds directly from a debtor's bank account. The Parks' Budget Office personnel have reported that this program has yielded very positive results. They collected approximately \$4.8 million dollars via PAD. The associated administrative and cash management benefits include a reduction in the number of bills required on a routine basis, as well as, a reduction in the number of dunning notices. Other benefits include: A minimal amount of time required for bank notification, in insufficient funds situations; the ability to negotiate a binding alternative collection date with the debtor; a decrease in the amount of cash the park is required to keep on hand; and increased control of cash flow.

Although the Park encountered some start-up issues with administering this program, the benefits outweigh the costs and they are projecting collections of \$10 million via this mechanism in FY 2000. Through teamwork with the Concessions Division and the Fee Management Branch, approximately one-third of all entrance fees are now paid electronically and the processing time at entrance stations has been reduced by 50 percent. A number of other NPS programs, characteristically lend themselves to collecting in this manner. As a result, we are planning to publicize the advantages of the PAD program, in an effort to promote increased utilization in FY 2000 and beyond.

At the end of FY 1999, our goal to refer eligible debt to Treasury's Cross Servicing (CSP) had been accomplished. A total of 99 percent of all eligible delinquent debt had been transferred to Treasury for further collection action. The initiative to place all debt with the CSP is consistent with our goal of achieving the highest and most efficient collection rate possible. This program is designed to assume full responsibility for managing all referred debt, as opposed to offsetting federal disbursements to delinquent

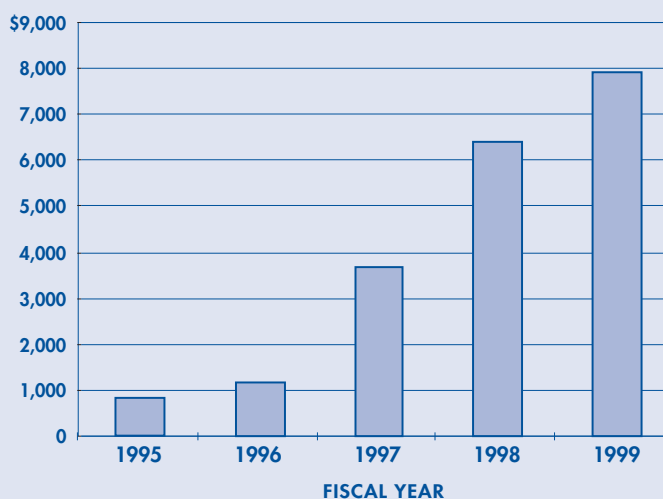
debtors, which is the collection method associated with the Treasury Offset Program (TOP). The major challenge associated with using this program has been the lack of an automated submission and tracking process. We are currently satisfying this requirement by using an internally designed manual documenting and tracking process and transferring the appropriate data to Treasury in batches using the Internet.

Plastic Card Collection Network (PCCN)

The PCCN Program experienced a significant increase in activity during FY 1999. Receipts totaling \$7.9 million were collected, representing a 25 percent increase over FY 1998. The number of sites having the ability to process credit cards increased from 295 in 1998 to 314 in FY 1999. The 314 locations available during FY 1999 include 58 Self-Serve terminals. These machines have the added value of reducing the requirement to have NPS collection personnel intervene at the point of sale. They are typically used for collecting at remote locations where full-time staffing cost is prohibitive.

Although the 25 percent increase in activity represents a significant growth rate, projections for FY 1999 did not materialize.

Plastic Card Collection Network (in thousands)



Aggressive projections were formulated based on historical trends and the tremendous potential revenue base, available to this program. A number of unanticipated variables impacted the programs performance level, including a corporate merger in the banking industry. During FY 1999, our former credit card processor, Nations Banks, and Bank of America merged. Extensive reprogramming and processing changes were implemented to accommodate the change. NPS resources were redirected to ensure continuity in our accounting processes. The programs focus temporarily shifted from expansion to revising or developing procedures to accommodate mandatory processing changes. At the close of FY 1999, conversion issues associated with the bank merger were resolved.

Collections associated with the Ranger Activity Program constitute the largest category of collection activity for the PCCN program. An estimated 97 percent of total PCCN collections accomplished are attributable to various types of park usage fee collections. The remaining 3 percent consists primarily of debt payments and collection of application fees in support of the Historic Preservation Program.

Characteristically, NPS's fee revenue generates a high volume of transactions in small dollar increments. Implementing the most efficient collection mechanism possible remains a priority and expanding the PCCN program is

expected to accomplish this goal. Credit Card collections accounted for approximately 5 percent of the total revenue generated by NPS's Fee Program in FY 1999. This small percentage demonstrates that growth potential and the resulting cash management benefits associated with the increased usage of this program are substantial. During FY 2000 there will be ongoing initiatives, designed to increase the usage of PCCN as a collection mechanism.

Limitations of the Financial Statements

The financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the entity in accordance with the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

